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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2019-A-0001

**Town of Lake Clarke Shores
Water Utility Cross-Connection
Program**

October 18, 2018



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AUDIT REPORT 2019-A-0001

DATE ISSUED: **OCTOBER 18, 2018**



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TOWN OF LAKE CLARKE SHORES – WATER UTILITY CROSS-CONNECTION PROGRAM

SUMMARY

WHAT WE DID

We conducted an audit of the Town of Lake Clarke Shores (Town) Water Utility Cross-Connection¹ Program (Program). This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2018 Annual Audit Plan, which was amended in May 2018 to add multiple entities selected for cross-connection program audits. These are performance audits which are completed to verify the existence of a Program and to review contracts and documentation relating to the implementation of the Program. We do not collect water samples or test water quality.²

We selected the Town because it had not been previously audited by the OIG, and we deemed the Town as high risk based upon its responses to our initial inquiries regarding its Program.

Our audit focused on the Program requirements and controls. The scope

included a review of the Program from August 25, 2016 to June 14, 2018.

WHAT WE FOUND

We found that overall internal controls for the Program are adequate, and if followed consistently, provide reasonable assurance for compliance with applicable laws, rules, and regulations. We noted some weaknesses; however, the weaknesses we identified did not affect our overall assessment of the internal controls for the Program.

We found weaknesses when testing for 1) compliance with procurement processes for the contract relating to the Town's implementation of its Program; 2) contract monitoring and payments to Vendor; and 3) written guidance for information technology (IT) processes and computer systems. Our audit identified

¹ US EPA Cross-Connection Control Manual states that cross-connections are the links through which it is possible for contaminating materials to enter a potable water supply. The contaminant enters the potable water system when the pressure of the polluted source exceeds the pressure of the potable source. The action may be called backsiphonage or backflow. Many states and local jurisdictions require cross-connection control and backflow prevention programs, and the program requirements vary widely between jurisdictions. Community water systems in Florida must establish and implement a cross-connection control program utilizing backflow protection at or for service connections in order to protect the system from contamination caused by cross-connections on customers' premises.

² This audit report will be referred to the State of Florida EPA and Florida Department of Health for review and consideration.

\$9,010 in questioned costs³, **\$356** in identified costs⁴ for potential reimbursement, and **\$1,068** in avoidable costs.⁵

Piggyback⁶ Agreement Lacked Proper Approval

The Town executed a Professional Service Agreement (Agreement) dated August 25, 2016, with Hydro-Designs,⁷ Inc. (Vendor) for management of the Town's Cross-Connection Program. The Agreement piggybacked on an existing Village of Palm Springs agreement.

The Agreement was not properly approved by the Town Council, as required by Resolution 12-05; which resulted in questioned costs of **\$8,735**.

Fee Revenue

The Town's Cross-Connection Control and Backflow Prevention Ordinance, Municipal Code section 58-55 (Ordinance 04-06, §1 Exh. A), 12-7-04), levies a fee of \$50 for an annual test and \$35 for retest, as necessary, for all water users in the Town required to install backflow prevention devices. On February 14, 2017, the Town

Council passed and adopted Resolution 17-03, amending the utility customer fees and charges in Resolutions 00-19 and 10-22, to impose a \$4 monthly fee (\$48 annually) to cover the cost of yearly inspection of the backflow prevention assembly for all commercial accounts. The Town is billing commercial customers for fees based on the Resolution and not the Ordinance. As a result, commercial customers are being under billed, which resulted in identified costs of **\$356**. Additionally, if the Town charged commercial customers the rates specified in its Ordinance for annual tests, it would result in **\$1,068** in future avoidable costs.

Inadequate Invoice Review

We found that the Town did not adequately review the Vendor invoices submitted, to the Town, for payment related to services performed for the Program. We reviewed 100% of the paid invoices and noted:

- One of nine invoices (11.1%) was for services outside the scope of the applicable Agreement;

³ Questioned costs are costs or financial obligations that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditures of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation, or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. **As such and in this specific case, not all questioned costs are indicative of potential fraud or waste.**

⁴ Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

⁵ Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report.

⁶ Town Resolution 12-05, section 2A defines "piggybacking" as "an alternative method of procuring commodities or services, without formal bid, from vendors who have a currently valid contract for agreement ("existing contract") with another municipality, county (or county constitutional officer), or the State of Florida, provided that the existing contract was awarded by a selection process that would have substantially met the Town's procurement requirements."

⁷ The name Hydro-Design, Inc. is the name listed on page 1 as party to the Professional Services Agreement. The signature line; however, lists HydroCorp, Inc. The piggyback contract from the Village of Palm Springs is with Florida HydroCorp Inc. We note that neither Hydro-Design, Inc. nor HydroCorp, Inc. is registered as an active corporation with the Florida Department of State - Division of Corporations.

- Three of nine invoices (33.3%) contained possible miscalculations,⁸ and
- Five of nine invoices (55.6%) did not have adequate documentation for information to support the amounts invoiced to the Town.

The Town's inadequate review of invoices resulted in questioned costs of **\$275**.⁹

Inadequate Monitoring of the Vendor's compliance with the Agreement and/or Florida law

The Town did not obtain adequate documentation to ensure that the Vendor complied with bidding requirements, for inspections completed by subcontractors, under the Agreement. Additionally, the Town could not provide our office with documentation showing that the inspectors held appropriate licenses. Lastly, the Town did not ensure that the Vendor maintained complete and accurate inventory lists and inspection reports.

Inconsistent Written Guidance

We noted inconsistencies within the Town's written guidance. Written guidance should be consistent throughout each related document. Inconsistencies potentially decrease the efficiencies within

the process and increase the risk of inconsistent application, error, and non-compliance with governing documents.

Lack of IT Policies and Procedures

This audit included review of data reliability and integrity of the computer systems related to the cross-connection control program. We found that the Town has processes but does not have written IT policies for *any* of the IT processes. Lack of written guidance increases the risk of inconsistent operations and unauthorized or inappropriate access to the Town's computer systems.

WHAT WE RECOMMEND

Our report contains six (6) findings and offers nineteen (19) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls, 2) save approximately **\$1,068** in future avoidable costs, and 3) help ensure compliance with requirements.

The Town is taking corrective action to implement the recommendations.

We have included the Town's management response as Attachment 1.

⁸ The invoices submitted to the Town did not always include a listing of the devices tested during the month. However, the invoices did note the number of devices, device type, and the month the testing occurred. Using information in the invoices and the Vendor's master database listing, our auditor was able to re-calculate the amount that should have been invoiced.

⁹ The other portion of questioned costs was already included in the Piggyback Agreement questioned costs; therefore, was not included in invoice review to avoid duplication of questioned costs.

BACKGROUND



The Town was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected five-member Town Council. The Town Council appoints the Mayor, Vice Mayor, and President Pro Tem. The Town Council employs or appoints the Town Manager, who is the administrative head of the municipal government, but is subject to the direction and supervision of the Town Council.

The Town is roughly bounded by Interstate 95 to the east, Florida Mango Road to the west, Summit Boulevard to the north, less the Lake Patrick neighborhood, and 10th Avenue North to the south, less the Waterside neighborhood. The Town's population is approximately 3,517.

The OIG 2018 Annual Audit Plan was amended to add multiple entities selected for cross-connection program audits. The cross-connection audits were added based on concerns regarding the existence of adequate controls that could impact the quality of drinking water. The Town was selected for a cross-connection audit because the Town had not been previously audited by the OIG and we deemed the Town as high risk based upon its responses to our initial inquiries regarding its Program.

Safe Drinking Water Act

Congress enacted 42 U.S.C §300f, et. seq., the Safe Drinking Water Act of 1974 and amended and reauthorized it in 1986 and 1996. Under the provisions of the Act, the federal government authorized the United States Environmental Protection Agency (US EPA) to establish national primary drinking water regulations to protect against health effects from exposure to naturally-occurring and man-made contaminants. The national primary drinking water regulations apply to every public water system¹⁰ in the United States, except where specifically exempted by law.

The Safe Drinking Water Act of 1974 gives primary responsibility to the states to implement a public water system program. In virtually all states, including Florida, the US EPA has given up enforcement of the Act and now serves only in a supervisory role for the state programs approved to take its place. The Florida legislature enacted the "Florida Safe Drinking Water Act," sections 403.850-403.864, Florida Statutes. This Florida Safe Drinking Water Act and Chapters 62-550, 62-555 and 62-560, Florida Administrative Code are promulgated to implement the requirements of the Florida Safe Drinking Water Act and to maintain primacy for Florida under the Safe Drinking Water Act of 1974. Florida adopted the national drinking water standards of the federal government and created additional rules to fulfill state and federal requirements. Florida must adopt all new and revised national regulations in order to continue to retain primary enforcement powers. The Florida Department of Environmental Protection (FDEP) has the primary role of

¹⁰ "Public water system" means a system for the provision to the public of water for human consumption through pipes or other constructed conveyances if such system has at least fifteen service connections or regularly serves at least twenty-five people for at least 60 days a year. The standards do not apply to private wells.

regulating public water systems in Florida. FDEP has delegated the Drinking Water Program to county health departments in eight Florida counties. In Palm Beach County, the authority for the regulation of public water supply systems has been delegated to the Florida Department of Health in Palm Beach County.

The Town's Water System

The Town operates a community public water system;¹¹ therefore, the Town is held responsible for compliance with the provisions of the Safe Drinking Water Act of 1974 and applicable state and federal safe drinking water laws and regulations. This includes a warranty that water quality provided by the Town's operation is in conformance with US EPA standards at the source and is delivered to the customer without the quality being compromised as a result of its delivery through its distribution system.

Rule 62-555.360(2), Florida Administrative Code provides that community water systems in Florida must establish and implement a cross-connection control program utilizing backflow protection at or for service connections in order to protect the system from contamination caused by cross-connections on customers' premises. The US EPA describes cross-connections as "the links through which it is possible for contaminating materials to enter a potable water supply. The contaminants enter the potable water system when the pressure of the polluted source exceeds the pressure of the potable source. The action may be called backsiphonage or backflow."¹²

Water suppliers may not have the authority or capability to repeatedly inspect every consumer's premises for cross-connections and backflow protection. Each water supplier should ensure that a proper backflow preventer is installed and maintained at the water service connection to each system or premises that poses a significant hazard to the public water system. This would include the water service connection to each dedicated fire protection system, to each in-ground irrigation piping system, water service connections to premises with an auxiliary or reclaimed water system service, and commercial, industrial and institutional facilities that may pose a health threat to the public water supply system.

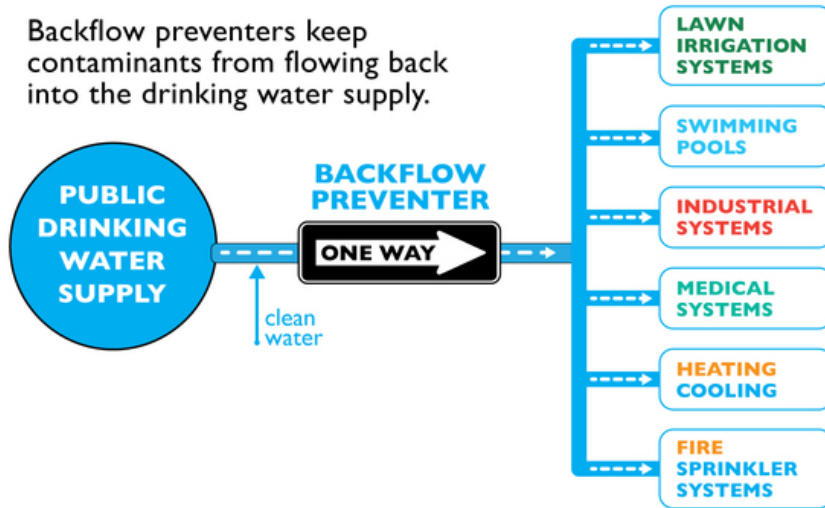
Cross-connection control programs in Florida must include a written plan that is developed using recommended practices of the American Water Works Association set forth in "Recommended Practice for Backflow Prevention and Cross-Connection Control," AWWA Manual M14, 3d Edition, 2004, as clarified and modified by Florida Administrative Code.

The Town's Cross-Connection Control and Backflow Prevention Ordinance, Municipal Code sections 58-51 through 58-57 (Ordinance 04-06, §1 Exh. A), 12-7-04), addressed cross-connections and backflow prevention devices. On November 15, 2016, the Town approved its Cross-Connection Control Plan as Town Resolution 16-30 to meet the minimum requirements for cross-connection control of public water systems pursuant to

¹¹ A community water system is a public water system that supplies water to the same population year-round.

¹² US EPA Cross-Connection Control Manual

Rule 62-555.360, Florida Administrative Code. The Cross-Connection Control Plan’s purpose was to outline the Cross-Connection Control policies for all commercial, industrial, governmental, residential, and miscellaneous facilities having service connections to the Town’s public water supply.



On August 25, 2016, the Town entered into a Professional Service Agreement with the Vendor to manage its Program. The Town piggybacked on the Village of Palm Springs’ existing agreement with the Vendor.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

- Internal controls were adequate related to the cross-connection program; and
- The cross-connection program is monitored appropriately and in compliance with requirements.

The initial scope of the audit included activities relating to the Program from October 1, 2016 to September 30, 2017. The scope of the audit was expanded to include the review of the Agreement from inception on August 25, 2016. The scope of the audit was also expanded to include payments for services through June 14, 2018 to include more current activities. The amended scope of the audit included cross-connection activities from August, 25, 2016 to June 14, 2018.

The audit methodology included, but was not limited to:

- Review of controls related to the cross-connection program;
- Review of the cross-connection program policies, procedures, and compliance requirements;
- Interviews of appropriate personnel;
- Review of reports, contracts, and agreements; and
- Performance of detailed testing on selected transactions and invoices.

As part of the audit, we completed a data reliability assessment for the computer systems used by the Town for the processing of invoices and payments since the cross-connection program is outsourced. We determined that the computer-processed data contained in these computer systems was sufficiently reliable for the purposes of the audit.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

Finding (1): The Town Council did not approve the piggyback Agreement, with appropriate exhibits, between the Town and the Vendor managing the Town's cross-connection program, as required by Town Resolution No. 12-05.



The Town Council approved Resolution No. 12-05 on January 10, 2012, creating a “Piggyback” option to the Town’s Procurement Policy.

Resolution No. 12-05 states that a “proposed Piggyback contract shall be approved by the Town Council upon a recommendation of the Town Administrator that Piggybacking is cost-effective and in the best interests of the Town.” Additionally, the Resolution provided that the direct agreement with the vendor shall include the following documentation as exhibits:

- a full copy of the Invitation to Bid and the executed existing agreement (i.e. Village of Palm Springs agreement);
- a written statement from the vendor offering to honor the same prices under the same terms and conditions as indicated in the Invitation to Bid and existing agreement; and
- a document detailing any new or modified terms and conditions from the original existing agreement.

The Town’s Utilities Superintendent executed the Agreement with the Vendor to manage the Town’s cross-connection program on August 25, 2016. The Town Council did not approve the Agreement upon a recommendation by the Town Administrator, as required by Resolution No. 12-05. Town staff confirmed with our Office that the Town piggybacked on an existing Village of Palm Springs agreement and that the Town Council did not approve the Agreement. The Town’s Utilities Superintendent was not authorized to execute the Agreement without Town Council approval.

Additionally, the Town’s direct agreement with the Vendor did not include a full copy of the Invitation to Bid or the executed existing agreement with the Village of Palm Springs as exhibits to the Agreement, as required by Resolution No. 12-05.

The total expenditure amount of **\$8,735** that the Town paid to the Vendor under the Agreement during the audit scope period is considered to be questioned costs because the Town’s Utilities Superintendent executed the Agreement without submitting it and required attachments to the Town Council for review and approval, as required by Resolution No. 12-05.

Recommendations:

- (1) Town Management present the Agreement to the Town Council for ratification or rejection.**
- (2) The Town amend the Agreement to include the required exhibits.**

- (3) The Town comply with the requirements specified or amend in Resolution No. 12-05 when procuring commodities or services using the piggyback option.

Management Response:

The Town will revise Resolution 12-05 along with the Town’s procurement policy and present to Town Council.

Finding (2): The Town did not collect backflow prevention device testing fees in accordance with the Town’s Cross-Connection Control and Backflow Prevention Ordinance, Municipal Code section 58-55 (Ordinance 04-06, §1 Exh. A), 12-7-04).

The Town’s Cross-Connection Control and Backflow Prevention Ordinance, Municipal Code section 58-55 (Ordinance 04-06, §1 Exh. A), 12-7-04) levies a fee of \$50.00 for the annual test and \$35 for each retest, as necessary, for all water users in the Town required to install backflow prevention devices. On February 14, 2017, The Town Council passed Resolution 17-03 amending the utility customer fees and charges in Resolutions 00-19 and 10-22, to imposes a \$4.00 monthly fee (\$48 annually) to cover the cost of annual inspection for all commercial accounts.

The Town is not billing fees in accordance with the Town’s Ordinance. The Town is billing fees based on the Resolution and not the Ordinance, which is causing the Town to lose potential revenue.

Ordinance 04-06 (What should be charged to utility customers with backflow devices)					
	Reduced Pressure		Double Check Valve		
	Initial	Retest	Initial	Retest	Totals
Cost per device test	\$50	\$35	\$50	\$35	
Number of devices	61	6	12		
“Should Be” Revenue	\$3,050	\$210	\$600	\$0	\$3,860
Resolution 17-03 (Actually charged utility customers with backflow devices)					
	Reduced Pressure		Double Check Valve		
	Initial	Retest	Initial	Retest	Totals
Cost per device test	\$48	\$0	\$48	\$0	
Number of devices	61	6	12		
Actual Income	\$2,928	\$0	\$576	\$0	\$3,504

If the Town used the Ordinance fee rate, then \$3,860 should have been collected as revenue. The Town used the Resolution rate and actually collected \$3,504. This resulted in lost revenue of \$356 that could have been collected. This amount is considered an identified cost of **\$356**. Furthermore, if the Town charged the rates in the Ordinance, the additional income over a three-year period would be **\$1,068** (\$356 * three years).

Additionally, the Town pays the Vendor managing the cross-connection Program \$45 for each potable water assembly test and \$100 for each fire protection assembly test. The Town collects \$48 in fees from customers for fire protection assembly tests and pays the

Vendor \$100 for these tests. The Town should review its costs to pay a Vendor to manage the Program and the fees it collects from customers and evaluate whether any adjustments are needed.

Recommendations:

- (4) The Town consider collecting the \$356 in lost revenue from customers.
- (5) The Town bill all water users in the Town required to install backflow prevention devices \$50 for the annual test and \$35 for each retest, as necessary, as provided in the Town's Ordinance.
- (6) The Town review and evaluate its actual costs and revenue associated with managing the cross-connection program to determine if changes are needed to reduce any losses to the Town.

Management Response Summary:

The Town recommends against recouping the identified cost of \$356 from its customers. The Town will review necessary Ordinances and Resolutions to ensure they are consistent.

Finding (3): The Town did not adequately review Vendor invoices prior to approving payments.



We reviewed the Agreement terms and Vendor invoices to ensure that amounts submitted to the Town for payment were consistent with the terms of the Agreement. The Agreement allows for two types of expenditures, device testing and “based compensation” for the utilization of the Vendor’s software; therefore, we tested to ensure expenditures were allowable under the Agreement. Article IV, section 4.5 of the Agreement states that “...A list of completed tests will be provided no later than the month following completion of the work.”

We tested nine invoices totaling \$8,735, which was 100% of the invoices from the inception of the Agreement on August 25, 2016 to June 14, 2018. We noted the following:

- One of the nine invoices (11.1%) requested payment for services not included within the scope of the Agreement. The Town paid the invoice in the amount of **\$2,150** to the Vendor for drafting the Cross-Connection Control (CCC) Plan for the Town, which was not a deliverable listed in the Agreement.
- Three of the nine invoices (33.3%) were potentially miscalculated. The Vendor should have charged the Town \$45 for potable water assembly (RPBP devices) and \$100 for fire protection assembly (DVC devices); however, on three occasions, the Vendor may not have accurately billed the Town the prices set forth in their Agreement. Based on our calculations,¹³ the Town was potentially under-billed by **\$275**, which may be owed to the Vendor.

¹³ The invoices submitted to the Town did not always include a listing of the devices tested during the month. However, the invoices did note the number of devices, device type, and the month the testing occurred. Using this

- Five of the nine invoices (55.6%) were not adequately supported with a list of tests completed for devices. The invoices were recalculated based on the number / type of devices listed in the description; however, without a list of tested devices, we were unable to determine whether all water users’ devices were actually tested¹⁴ annually, or retested as needed, and whether there were any duplicate charges for previously tested devices. The total charges to Town without adequate supporting documentation is **\$4,425**.

Description of Invoice/Payment Error	# of Transactions	% of Transactions	Amount
Services Outside the Scope of Agreement	1	11.1%	\$ 2,150 ¹⁵
Invoice Miscalculation	3	33.3%	\$ 275
Inadequate Supporting Documentation	5	55.6%	\$ 4,425 ¹⁵

Based on our review of the invoices and payments, we determined that the Town did not adequately monitor the Vendor’s invoices to ensure that services billed were actually received.

Without proper review of invoices against the supporting documentation, the Town is exposed to potential errors and inaccurate payments to the Vendor. Additionally, without proper monitoring, the Town may be paying for services that are not received or being billed improperly for services received.

Recommendations:

- (7) **The Town enhance its review process to ensure that only invoices for services authorized in the written Agreement are paid.**
- (8) **The Town enhance its invoice review process to ensure that services reflected in invoices were actually received and that the Town pays rates prescribed in its written agreements.**
- (9) **The Town obtain and review all supporting documentation for invoices prior to authorizing payments.**

Management Response Summary:

As approved by council, the \$2,150 invoice was to initially set up the program and deemed to be outside of the scope of the agreement, but a service to implement the agreement.

information and the master database listing, the auditor was able to re-calculate the amount that should have been invoiced.

¹⁴ Section 2.1 of the Agreement with the Vendor provided that the Vendor would “establish device testing schedule for all devices.”

¹⁵ The amount is considered a questioned cost; however, the amount was already included in the questioned costs for Finding (1); therefore, it was not included in this finding to avoid duplication of questioned costs.

Staff has discussed with the vendor to provide improved invoices and the Town will further enhance its invoice review process with appropriate supporting documentation.

Finding (4): The Town did not adequately monitor the Vendor's performance to ensure that the Vendor complied with the terms of the Agreement and the requirements under Florida law.

The Agreement between the Town and the Vendor imposes several obligations on the Vendor, including but not limited to:

- Section 2.2 of the Agreement with the Vendor specified that the Vendor would bid out device testing to local contractors.
- Section 4.5 requires the Vendor to provide the Town with a list of completed tests no later than the month following the completed work.

In addition, Florida statutes and administrative code imposes responsibilities on testers/inspectors of backflow devices.

Insufficient Documentation showing that Subcontractors were properly bid

Contract Monitoring

Although the Agreement required the Vendor to "Bid out device testing to local contractors," the Town did not provide any documentation to us during our audit showing that it obtained adequate documentation to verify and ensure that the Vendor complied with this obligation. These subcontractors inspected 66 backflow prevention devices in the Town. Without proper documentation, the Town cannot ensure that the Vendor bid the service.

Inaccurate Inspection Reports

Our review of backflow device inspection reports was based on the 64 backflow devices, as listed in the Backflow Database Report Detail, and 10 additional testable backflow devices listed on the Annual Report and Quarterly Report for a total of 74 backflow devices. The Backflow Database Report Detail, Annual Report, and Quarterly Report were printed from the Vendor's system.

Our review found:

- Four testable devices had incorrect information in the Vendor's database compared to the information in the inspection reports. Additionally, ten additional testable devices were not included in the database inventory report but were listed on the Annual Report (out of the 74 devices). This equates to an 18.9% error rate.
- One testable device did not have an inspection report in the Vendor's database system. (1.4% error rate).

Improper Licensing

Section 633.312, Florida Statutes, requires that testers / inspectors of backflow prevention devices for fire protection systems must be issued a fire protection system contractor license by the Florida Division of Fire Marshal.

The Town did not obtain adequate documentation to ensure that the Vendor verified inspectors had proper certification. It does not appear the Town reviewed any documentation regarding the inspectors. As a result of the lack of monitoring, five fire protection backflow devices were tested by an inspector who was not certified under Section 633.312, Florida Statutes.

Lack of Inventory List

Rule 62-550.360(3), Florida Administrative Code (FAC) requires that a minimum component of a written cross-connection control plan include maintaining a current inventory of backflow protection being required at or for service connections from the water supplier.

Additionally, the Agreement states that the Vendor will inventory all testable backflow prevention devices and track these testable devices in the Vendor's software. However, the Agreement does not require the Vendor to maintain an inventory of non-testable devices, such as, residential devices. The Vendor only tracks the commercial devices.

The Town owns and operates three water systems, and only one of the water systems was built with residential backflow devices installed at every connection; however, no current list is maintained for residential devices.

Without a proper listing to include the residential devices, they are not being reviewed to determine if testing was needed.

The Vendor billed the Town and the Town paid for work that was not completed in compliance with the Agreement and/or Florida law. Lack of monitoring may have contributed to inaccurate and missing data in the Vendor's database system. This increases the Town's vulnerability of connections not being properly inspected and could lead to environmental hazardous contaminants entering the public water system. Furthermore, without a list of residential devices, the Town may not be able to properly monitor the completion of required testing since only "testable" devices are managed by the outside Vendor. Therefore, residential properties backflow devices may not be tested to ensure that the device is working properly.

Recommendations:

- (10) The Town monitor the Agreement to ensure the Vendor complies with the Agreement requirements, specifically for bidding of subcontractors and verifying the subcontractors have the required certifications to work on the devices.**

- (11) The Town require the Vendor to have a qualified subcontractor retest the five fire protection devices.
- (12) The Town create and maintain a detailed listing of all devices including residential devices to comply with FAC requirements.
- (13) The Town assess the residential devices to determine if the devices require inspections.
- (14) The Town require the Vendor to update its database to include the additional 10 devices that are not included in the database.
- (15) The Town require the Vendor to provide an inspection report for the testable device that is missing an inspection report. If the report cannot be provided, then the Town should require the Vendor to complete a new inspection for that testable device.
- (16) The Town monitor the Vendor's input of information as presented in the inspection reports to ensure that the Vendor's system is an accurate listing, including all testable devices.

Management Response Summary:

The Town will modify the agreement to address these issue to ensure compliance with State Statute. Staff will request the vendor to retest the five protection devices to ensure compliance with State requirements. An internal database will be maintained from the vendor's database to detail all residential devices to comply with FAC requirements. Current and projected utility projects will allow for all residential backflow devices to be inspected by the end of 2019. The Town has updated its database and all devices are listed. The missing device listed was due to a clerical error within the database. The address in question was a duplicated and was tested and submitted to the Town. The Town will improve monitoring and oversight of the vendor's information presented in the inspection reports.

Finding (5): The Town's written guidance for its cross-connection control program are inconsistent with each other and with state regulations.

The Town's Program is governed by federal and state statutes and regulations, as well as, municipal ordinances and resolutions. The Town's ordinances and resolutions contain inconsistencies regarding rates and local resolutions are inconsistent with state regulations on records retention.

Fee Rate Inconsistencies

The rates provided in the Town's Cross-Connection Control and Backflow Prevention Ordinance 04-06 for testing (and re-testing as necessary) for all water users in the Town required to install backflow prevention devices are inconsistent with the rates set forth

in the Town’s Resolution 17-03. The fees cited in the Ordinance, as shown in the Fee Schedule “A” are:

Type of Unit	Test Fee
Reduced Pressure Backflow Preventer	
Annual Test	\$50
Each re-test due to failure	\$35
Double check valve assembly:	
Annual Test	\$50
Each re-test due to failure	\$35

Town Resolution 17-03 states that the Town will impose a monthly charge of \$4.00 (\$48.00/annually) to each commercial account to cover the cost of the yearly inspection of backflow prevention assembly. This may lead to inaccurate billings and lost revenue (see Finding 2).

Record Retention Inconsistencies

Rule 62-550.720, Florida Administrative Code sets forth recordkeeping and retention requirements for public water systems supplying drinking water in Florida. Rule 62-550.720 sets forth retention periods ranging from three (3) to twelve (12) years, depending upon the nature of the record. According to Rule 62.550-720(3) and (5), the Town is required to retain:

(3) Copies of any written reports, summaries, or communications relating to cross-connection control program or sanitary surveys of the system conducted by the system itself, by a private consultant, or by any local, State or Federal agency, shall be kept for a period not less than **10 years after completion of the sanitary survey.**

.....
 (5) Monthly operation reports shall be kept for a period of **not less than 10 years.**
 [Emphasis added]

However, section 3.8 of the Town’s Cross Connection Control Plan, attached to Resolution 16-30, sets forth a five-year record keeping retention schedule for all data obtained from inspection forms, all written backflow incident reports, and annual cross connection control program activities. The Town should review its records retention schedule to ensure that it is complying with the schedule set forth in Rule 62-550.720.

Written guidance should be consistent to provide the same guidance throughout each related document. Inconsistencies potentially decrease the efficiency of the process and increase the risk of error and non-compliance.

Recommendations:

- (17) The Town revise written guidance to be consistent throughout all written documents related to the cross-connection control program.**

(18) Staff be trained on the revised written guidance.

Management Response:

Current internal controls will allow the Town to maintain records consistent with Florida Statutes and Florida Laws.

Finding (6): Lack of written guidance for IT processes.

The audit included review of data reliability and integrity for the computer systems related to the cross-connection control Program. We found that the Town has processes with controls to ensure the integrity of information in the computer systems; however, there are no written policies and procedures for any of the Information Technology (IT) processes.

Basic computer system controls include written IT policies, procedures, and definitions that are clearly communicated; access to and use of the system, assets and records are reasonable and restricted to authorized individuals; and system users are granted only the access needed to perform their duties.

The Town has independent contractors/vendors that handle IT operations and the cross-connection program database. The Town has had limited turnover and had processes in place. Since the processes are in place, the Town had not developed written policies and procedures for their IT operations.

Lack of written policies and procedures increases the risk of inconsistent operations and unauthorized access to system records.

Recommendations:

- (19) The Town develop and implement written IT policies and procedures to ensure consistency of operations that provide guidance, at a minimum, for how to:**
- a. Assign and remove user rights and a reasonable time for completion,**
 - b. Authorize user access,**
 - c. Limit system access requiring unique user IDs and passwords,**
 - d. Provide for user change management (new and terminated employees), and**
 - e. Provide guidance to employees.**

Management Response Summary:

The Town will make additional efforts to codify existing policies.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
1	Piggyback Agreement Procurement	\$8,735
3	Potential Miscalculation	\$275
	TOTAL QUESTIONED COSTS	\$9,010

Identified Costs

Finding	Description	Identified Costs
2	Under Billed Fees	<u>\$356</u>
	TOTAL IDENTIFIED COSTS	\$356

Avoidable Costs

Finding	Description	Avoidable Costs
2	Under Billed Fees	<u>\$1,068</u>
	TOTAL AVOIDABLE COSTS	\$1,068

ATTACHMENT

Attachment #1 – Town of Lake Clarke Shores Management Response, page 18-.

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Town of Lake Clarke Shores management and staff for their assistance and support in the completion of this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1 – TOWN OF LAKE CLARKE SHORES' MANAGEMENT RESPONSE



Town of Lake Clarke Shores

Palm Beach County's Premier Lakeside Community Since 1957

October 12, 2018

SENT VIA E-MAIL AND US MAIL

Gregory Freebold
Mayor

Valentin Rodriguez, Jr.
Vice Mayor

Paul R. Shalhoub
President Pro-Tem

Robert M. W. Shalhoub
Council Member

John Studdard
Council Member

Daniel P. Clark, P.E.
Town Administrator

Mary Pinkerman
Town Clerk

William Smith, III
Chief of Police

Megan Gaillard, Director of Audit
Office of Inspector General
Palm Beach County
P.O. Box 16568
West Palm Beach, Florida 33416

**RE: Town of Lake Clarke Shores –Draft Audit Report 2019-A-0001
of the Water Utility Cross-Connection Program**

Dear Ms. Gaillard:

Please accept this response to the findings and recommendations in the above referenced draft audit report provided by your office. Our responses will address the six (6) findings and nineteen (19) recommendations.

This response is being provided by the requested deadline of October 20, 2018.

Finding 1:

The Town Council did not approve the piggyback Agreement, with appropriate exhibits, between the Town and the Vendor managing the Town's Cross-connection program, as required by Town Resolution No. 12-05.

Recommendations:

1. Town Management present the Agreement to the Town Council for ratification or rejection.
2. The Town amend the Agreement to include the required exhibits.
3. The Town comply with the requirements specified or amend in Resolution No. 12-05 when procuring commodities or services using the piggyback option.

RESPONSE:

Town staff will revise Resolution 12-05 along with the Town's procurement policy and present to Town Council.

Finding 2:

The Town did not collect backflow prevention device testing fees in accordance with the Town's Cross-Connection Control and Backflow Prevention Ordinance, Municipal Code section 58-55 (Ordinance 04-06, §1 Exh. A), 12-7-04).

Ms. Megan Gaillard, Director of Audit
 October 12, 2018
 Page 2 of 4

Recommendations:

4. The Town consider collecting the \$356.00 in lost revenue from customers.
5. The Town bill all water users in the Town required to install backflow prevention devices \$50.00 for the annual test and \$35.00 for each retest, as necessary, as provided in the Town's Ordinance.
6. The Town review and evaluate its actual costs and revenue associated with managing the cross-connection program to determine if changes are needed to reduce any losses to the Town.

RESPONSE:

Thank you for identifying the uncollected revenue of device testing fees. The Town recommends against recouping the identified cost of \$356.00 from its customers. The Town will review necessary Ordinances and Resolutions to ensure they are consistent.

Finding 3:

The Town did not adequately review Vendor invoices prior to approving payments.

Recommendations:

7. The Town enhance its review process to ensure that only invoices for services authorized in the written Agreement are paid.
8. The Town enhance its invoice review process to ensure that services reflected in invoices were actually received and that the Town pays rates prescribed in its written agreements.
9. The Town obtain and review all supporting documentation for invoices prior to authorizing payments.

RESPONSE:

Exhibit A to Resolution 16-30, the Cross Connection Control Plan, was passed and adopted, November 15, 2016 by Council. As a result, the first and initial payment of the 9 invoices, in the amount of the identified cost of \$2,150.00 was remitted. As approved by Council, it was to initially set up the program and deemed to be outside of the scope of the agreement, but a service to implement the agreement.

Staff has discussed with the vendor to provide improved invoices and the Town will further enhance its invoice review process with appropriate supporting documentation.

Finding 4:

The Town did not adequately monitor the Vendor's performance to ensure that the Vendor complied with the terms of the Agreement and the requirements under Florida law.

Recommendations:

10. The Town monitor the Agreement to ensure the Vendor complies with the Agreement requirements, specifically for bidding of subcontractors and verifying the subcontractors have the required certifications to work on the devices.
11. The Town require the Vendor to have a qualified subcontractor retest the five fire protection devices.
12. The Town create and maintain a detailed listing of all devices including residential devices to comply with FAC requirements.
13. The Town assess the residential devices to determine if the devices require inspections.
14. The Town require the Vendor to update its database to include the additional 10 devices that are not included in the database.

Ms. Megan Gaillard, Director of Audit
 October 12, 2018
 Page 3 of 4

15. The Town require the Vendor to provide an inspection report for the testable device that is missing an inspection report. If the report cannot be provided, then the Town should require the Vendor to complete a new inspection for that testable device.
16. The Town monitor the Vendor's input of information as presented in the inspection reports to ensure that the Vendor's system is an accurate listing, including all testable devices.

RESPONSE:

The Town will modify the agreement to address these issues to ensure compliance with State Statute.

Staff will request vendor to retest the five protection devices to ensure compliance with State requirements.

An internal database will be maintained from the vendor's database to detail all residential devices to comply with FAC requirements.

Current and projected utility projects will allow for all residential backflow devices to be inspected by the end of 2019.

The Town has updated its database and all devices are listed.

The missing device listed was due to a clerical error within the database. The address in question was a duplicate and was tested and submitted to the Town.

The Town will improve monitoring and oversight of the vendor's information presented in the inspection reports.

Finding 5:

The Town's written guidance for its cross-connection control program are inconsistent with each other and with state regulations.

Recommendations:

17. The Town revise written guidance to be consistent throughout all written documents related to the cross-connection control program.
18. Staff be trained on the revised written guidance.

RESPONSE:

Current internal controls will allow the Town to maintain records consistent with Florida Statutes and Florida Laws.

Finding 6:

Lack of written guidance for IT processes.

Recommendations:

19. The Town develop and implement written IT policies and procedures to ensure consistency of operations that provide guidance, at a minimum, for how to:
 - a. Assign and remove user rights and a reasonable time for completion,

Ms. Megan Gaillard, Director of Audit
October 12, 2018
Page 4 of 4

- b. Authorize user access,
- c. Limit system access requiring unique user IDs and passwords,
- d. Provide for user change management (new and terminated employees), and
- e. Provide guidance to employees.

RESPONSE:

Thank you, the Town will make additional efforts to codify existing policies.

On behalf of the Town Council and the staff of the Utility Department, I want to thank you and your team for recommendations to improve operations.

Sincerely,



Daniel P. Clark, P.E.
Town Administrator, Town of Lake Clarke Shores